

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 NEAE-00 EB-11 COME-00 SS-20 NSC-07 L-03

HEW-08 CIAE-00 INR-11 NSAE-00 RSC-01 SSO-00 NSCE-00

INRE-00 DRC-01 (ISO) W

----- 019915

O 171355Z JUL 74

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC NIACT IMMEDIATE 7821

C O N F I D E N T I A L SECTION 1 OF 2 CAIRO 5285

E.O. 11652: GDS

TAGS: EAID, EG

SUBJECT: WESTINGHOUSE AND Wafa al Amal Project

REF: STATE 153782

1. SUMMARY: WESTINGHOUSE COMMITMENT TO Wafa al Amal Society still unresolved. Minister Reconstruction Osman has been put in charge. At Fahmy's request, Ambassador met with Osman, Hosni, two aides and Garin today to consider options. Garin stressed need to act quickly if even partial delivery by Oct 1 is to be achieved. He doubted Westinghouse has changed its position appreciably, and only reluctantly agreed to call Finlay again as requested. Egyptian still want to press Westinghouse fulfill commitment by being prime contractor with Garin engaged by company as sub-contractor. Garin noted earlier Westinghouse provided price quotations were F.O.B. and did not include transportation. Egyptians accepted this. Decision on how to proceed deferred until results of Garin-Finley telecon available for consideration.

2. This morning, I received a message from Fahmy in Alexandria asking me to meet with Minister of Reconstruction Osman at latter's Cairo office. I
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HAVE JUST COME FROM A TWO-HOUR MEETING WITH OSMAN

WHICH, IT TURNED OUT, WAS CONVENED TO DISCUSS REFERENCED SUBJECT. ALSO PRESENT WERE GENERAL HOSNI, TWO WAFAL AMAL AIDES AND GARIN. OSMAN, WHO IS A MEMBER OF THE SOCIETY'S BOARD, HAS APPARENTLY BEEN INSTRUCTED TO TAKE THE MATTER IN HAND.

3. OSMAN RELATED THAT THE BOARD HAD MET YESTERDAY IN ALEXANDRIA. ALL, INCLUDING MMD SADAT, HAD BEEN PLEASED TO HAVE EARLIER REPORT BASED ON VP HARRY JONES' STATEMENT THAT URGENT AND SPEEDY MEASURES WOULD BE TAKEN TO FULFILL WESTINGHOUSE'S COMMITMENT BY OCTOBER 1. THEREAFTER, HOSNI HAS RECEIVED LETTER FROM CALLENDER, WESTINGHOUSE AREA REPRESENTATIVE, STATING THAT "WESTINGHOUSE IS NOT IN THE HOSPITAL EQUIPMENT SUPPLY BUSINESS, THAT WE CANNOT GUARANTEE DELIVERY, NOR ASSUME RESPONSIBILITY FOR PRICING OR SCHEDULING OF SUCH EQUIPMENT AND THAT WESTINGHOUSE IS ONLY IN THE HOSPITAL PLANNING AND CONSULTING BUSINESS AS IT PERTAINS TO THIS PROJECT." CALLENDER WENT ON TO EXPRESS REGRET THAT PREVIOUS WESTINGHOUSE TELEX AND OTHER CORRESPONDENCE MAY HAVE CAUSED MISIMPRESSION, BUT WESTINGHOUSE WAS WILLING TO UNDERWRITE UP TO \$5,000 IN TRAVEL COSTS FOR VISIT OF US HOSPITAL EQUIPMENT SUPPLIER (GARIN). THE LETTER HAD CAUSED GREAT DISTRESS ON PART OF THE BOARD. MEMBERS COULD NOT UNDERSTAND WESTINGHOUSE'S APPARENT SECOND RENEGING. HENCE OSMAN HAD BEEN ASKED TO LOOK INTO THE MATTER.

4. I EMPHASIZED TO OSMAN AND HIS COLLEAGUES THAT PERTINENT TALKS HAD BEEN CONDUCTED BETWEEN GENERAL HOSNI AND WESTINGHOUSE AND USG IS NOT A DIRECT PARTY TO THESE TALKS. HOWEVER, BECAUSE OF OUR SINCERE INTEREST IN THE PROJECT, WE HAD SOUGHT TO BE OF APPROPRIATE ASSISTANCE. OSMAN SAID HE FULLY UNDERSTOOD THAT USG IS NOT DIRECTLY INVOLVED, AND EXPRESSED APPRECIATION FOR OUR HELP. WE THEN EXPLORED AT SOME LENGTH VARIOUS ASPECTS OF PROBLEM.

5. ALL AGREED THAT WESTINGHOUSE IS SEEKING TO ABSOLVE ITSELF OF FURTHER RESPONSIBILITY FOR HOSPITAL EQUIPMENT

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PROCUREMENT, SELECTION, ETC. AND TURNING SUBJECT OVER TO GARIN. GARIN OUTLINED HIS INVOLVEMENT, NOTING HE IS SIMPLY HERE TO HELP. HE WAS NOT, HE STRESSED, WESTINGHOUSE PURCHASING AGENT. HE SURMISED THAT INITIAL WESTINGHOUSE ESTIMATES (\$900,000 TO \$1,100,000) HAD PROBABLY BEEN OBTAINED FROM HIS COMPANY, BUT STRESSED THEY WERE F.O.B. PRICES. TRANSPORTATION COSTS WERE NOT REPT NOT INCLUDED. WITH SOME DIFFICULTY HE

HAD TODAY GOTTEN TWA QUOTATION TO AIRLIFT ITEMS FOR \$260,000.

6. IF OCTOBER 1 DEADLINE IS TO BE MET, GARIN POINTED OUT, DECISION MUST BE MADE TODAY. IN THAT CASE, GARIN WILL HAVE TO GO TO LONDON TOMORROW TO BEGIN CONTRACT WORK. GARIN ALSO NOTED THAT EGYPTIANS HAD NOT YET GIVEN HIM ANY SPECIFICATIONS AS TO EQUIPMENT DESIRED. WHEN OSMAN EXPRESSED SURPRISE, HOSNI EXPLAINED THAT A LIST OF DESIRED EQUIPMENT HAD BEEN GIVEN TO ALL BIDDERS AND GARIN NOW ALSO HAD COPY. GARIN POINTED OUT THAT THIS IS NO MORE THAN A REQUIREMENTS LIST. IT GAVE NO SPECIFICATIONS. GARIN NOTED LATENESS OF THE DATE AND CURRENT LONG LEAD TIME FOR HOSPITAL SUPPLIES. IF EGYPTIANS ASKED HIM TO BEGIN IMMEDIATELY, HE MIGHT BE ABLE TO HAVE AT LEAST SOME OF THE EQUIPMENT HERE BY OCTOBER. ANY FURTHER DELAY WILL REDUCE PROSPECTS OF TIMELY DELIVERY. HE, IN ANY CASE, HAD TO LEAVE CAIRO EARLY TOMORROW MORNING AND INTENDED TO DO SO.

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ACTION NEA-16

INFO OCT-01 ISO-00 EB-11 COME-00 SS-20 NSC-07 L-03 HEW-08

CIAE-00 INR-11 NSAE-00 RSC-01 SSO-00 NSCE-00 INRE-00

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7. GARIN WAS RELUCTANT TO CALL FINLAY AGAIN AS REQUESTED, BUT IN RESPONSE TO MY REQUEST FINALLY AGREED TO DO SO. HE IS GOING TO MAKE THE CALL FROM THE EMBASSY IT 1600 HOURS LOCAL, IN ORDER TO GET FINLAY IN THE MORNING. HE ASKED THAT AN EMBOFF BE PRESENT TO HEAR THE TELECON. GARIN NOTED THAT FINLAY HAD EARLIER BEEN TOTALLY NEGATIVE ON PROJECT AND THAT THE CALLENDER

LETTER REFERRED TO ABOVE HAD BEEN WRITTEN ON
FINLAY'S SPECIFIC INSTRUCTIONS. ON FINLAY'S
INSTRUCTIONS, TOO, WESTINGHOUSE REPRESENTATIVE YODER
HAD LEFT CAIRO TODAY. HE THEREFORE DID NOT EXPECT
ANY DIFFERENT REPLY.

8. HOSNI ARGUED WESTINGHOUSE SHOULD FIRST AGAIN
BE ASKED TO FULFILL ITS COMMITMENT PM
HOWEVER IT CHOSE TO DO SO WAS THE COMPANY'S AFFAIR.
OSMAN AGREED, NOTING THAT SINCE WESTINGHOUSE OFFER
HAD BEEN ACCEPTED ON BASIS COMPARATIVE TENDERS, Wafa
AL-AMAL SOCIETY COULD NOT NOW TRANSFER THE JOB TO GARIN
WITHOUT INCURRING LOCAL PRESS OR OTHER CRITICISM. IN HIS VIEW,
CONTRACTS SHOULD BE SIGNED WITH WESTINGHOUSE AND LATTER
MIGHT, IF IT WISHED, ENGAGE GARIN AS SUB-CONTRACTOR.
HE RECOGNIZED PRACTICAL ASPECTS OF SUCH A PROCEDURE,
BUT ALSO SUGGESTED THAT IF WESTINGHOUSE REFUSES TO
FULFILL ITS COMMITMENT, BOARD WILL HAVE TO CONSIDER
OFFER OF NEXT LOWEST BIDDER EVEN IF THIS ENTAILED
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DELAY. IN THAT CASE APPROPRIATE LEGAL ACTION AGAINST WESTINGHOUSE
WILL ALSO BE CONSIDERED. I ARRANGED THAT GARIN AND A/DCM GET IN
TOUCH WITH HOSNI AGAIN AFTER THE CALL TO FINLAY, WHICH I
ASSUME WILL BE BASED ON PROMISED WESTINGHOUSE PAPER
OUTLINING SPECIFIC COURSE OF ACTION COMPANY
INTENDS TO TAKE TO MEET SITUATION.

9. COMMENT: EGYPTIANS ARE CLEARLY UPSET ABOUT WHAT
HAS HAPPENED. OSMAN KEPT REFERRING TO WESTINGHOUSES
REPUTATION. THERE ARE ALSO SOME INTERNAL TENSIONS IN
IN Wafa AL AMAL SOCIETY BOARD AND GENERAL HOSNI IS
CRITICIZED BY SOME (INCLUDING OSMAN) FOR HAVING MIS-
MANAGED THIS MATTER. GARIN WAS DISTINCTLY RELUCTANT
AND APPARENTLY HAS NO CONFIDENCE THAT A) WESTINGHOUSE
WILL BE WILLING TO ASSUME OVERALL CONTRACTOR
RESPONSIBILITY FOR THE PROCUREMENT AND B) THAT
EGYPTIANS CAN MOVE QUICKLY ENOUGH TO ENABLE PROCUREMENT TO
BEGIN FORTHWITH. IN ANSWER TO GARIN'S QUERY, OSMAN
SAID HE THOUGHT A LETTER OF CREDIT FOR THE NEEDED FUNDS,
INCLUDING AIRLIFT, COULD BE ARRANGED IN ABOUT A WEEK'S
TIME.

10. WE WILL BE IN TOUCH WITH HOSNI AND, IF NECESSARY
ALSO WITH OSMAN LATER TODAY. MEANWHILE, WE ALSO AWAIT
PROMISED WESTINGHOUSE PAPER. WE TRUST WESTINGHOUSE SERIOUSLY
INTENDS SEEK MUTUALLY SATISFACTORY SOLUTION.
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